

Message Text

CONFIDENTIAL

PAGE 01 TOKYO 18064 01 OF 03 191056Z

14

ACTION EA-09

INFO OCT-01 AF-06 ARA-06 EUR-12 NEA-10 IO-10 ISO-00

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 OMB-01 AID-05

COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03 CIEP-01

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 5645

INFO AMEMBASSY ALGIERS

AMEMBASSY BAGHDAD

AMEMBASSY BANGKOK

AMEMBASSY BELGRADE

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AMEMBASSY CAIRO

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AMEMBASSY CARACAS

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PAGE 02 TOKYO 18064 01 OF 03 191056Z

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C O N F I D E N T I A L SECTION 1 OF 3 TOKYO 18064

E. O. 11652: GDS
TAGS: PFOR, EGEN, JA
SUBJ: JAPAN AND THE "NORTH-SOUTH PROBLEM"

1. SUMMARY: IN THE WEEKS BETWEEN THE UNGA 7TH SPECIAL SESSION AND THE RAMBOUILLET ECONOMIC SUMMIT, THE JAPANESE ESTABLISHMENT RE-EVALUATED THEIR RESOURCE-POOR NATIONS'S OPTIONS WITH REGARD TO "THE NORTH-SOUTH PROBLEM." A SUBSTANTIAL BODY OF OPINION, LED BY PRIME MINISTER MIKI, ARGUED THAT THE TIME HAS COME FOR JAPAN TO LEAD THE EVOLUTION OF A NEW WORLD REGIME OF TRADE AND AID RELATIONSHIPS. ULTIMATELY, TRADITIONAL CAUTION PREVAILED, AND MIKI DID NOT PRESENT A "MIKI PLAN" AT RAMBOUILLET. NOTWITHSTANDING, THE SERIOUS CONSIDERATION GIVEN THIS NOTION UNDERSCORES THE IMPORTANCE THAT JAPANESE ELITES ASSIGN TO MAINTENANCE OF STABLE, HARMONIOUS RELATIONS WITH THE RAW MATERIALS PRODUCERS.

2. AT LEAST SINCE THE 1973 "OIL SHOCK," THE JAPANESE HAVE PERCEIVED IN THE AGGRESSIVE ECONOMIC NATIONALISM AND NASCENT SOLIDARITY OF THE THIRD WORLD A SERIOUS THREAT TO THEIR NATION'S PROSPERITY. THE GOJ'S POLICY IMPERATIVE -- ASSURED ACCESS TO THE LDC'S RAW MATERIALS -- IS CLEAR. BUT THE JAPANESE DO NOT SEE CONFRONTATION AS A VIABLE OPTION. SQUEEZED BETWEEN EXHORTATIONS TO "CONSUMER SOLIDARITY" ON ONE SIDE AND DEMANDS FOR ACQUIESCENCE TO A "NEW INTERNATIONAL ECONOMIC ORDER" ON THE OTHER, JAPAN HAS SOUGHT TO MUDDLE THROUGH BY A LOW-POSTURE ADVOCACY OF "DIALOGUE." AGREEMENT AT THE 7TH SPECIAL SESSION ON TERMS OF REFERENCE FOR NEGOTIATION OF NORTH-SOUTH ECONOMIC ISSUES SURPRISED THE JAPANESE, AND GREATLY RELIEVED THEIR APPREHENSION OF "NORTH-SOUTH COLD WAR." BUT PARADOXICALLY, THE SESSION'S SUCCESS BROUGHT FORWARD
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PAGE 03 TOKYO 18064 01 OF 03 191056Z

A NEW QUESTION: WHITHER JAPAN? WOULD JAPAN'S INTEREST NOW BE BETTER SERVED BY A HIGH PROFILE, PROBABLY EXPENSIVE AND IN SOME RESPECTS UNILATERAL RESPONSE TO THE LDC CHALLENGE?

3. IN RAMBOUILLET, MIKI SAW AN OPPORTUNITY TO MAKE AN INTERNATIONAL SPLASH THAT WOULD IMPROVE HIS IMAGE BACK HOME. HE IS, FURTHER, MORE PERSUADED THAN MOST JAPANESE LEADERS THAT JAPAN AND THE OTHER DC'S MUST "RESPOND POSITIVELY" TO THIRD WORLD

DEMANDS FOR REVISION OF THE INTERNATIONAL REGIME OF TRADE AND AID. THE ECONOMIC SUMMIT WAS WIDELY VIEWED IN JAPAN AS A COMING-OF-AGE RITE; FOR THE FIRST TIME SINCE BEFORE WORLD WAR II JAPAN WAS JOINING THE WESTERN POWERS AS AN ACKNOWLEDGED EQUAL. WHAT BETTER LEVER, MIKI EVIDENTLY CONCLUDED, TO MOVE JAPAN TO A CONSENSUS IN FAVOR OF A CONSIDERABLY MORE DYNAMIC ROLE IN NORTH-SOUTH RELATIONS? THOUGH MIKI'S EFFORT FAILED, PARTLY BECAUSE OF DOMESTIC FINANCIAL STRINGENCIES AND FACTIONAL RIVALRIES, THE INTRA-ESTABLISHMENT DEBATE WHICH HE SPARKED HAS SERVED TO SHARPEN JAPANESE PERCEPTION OF THE LDC CHALLENGE AND ITS IMPLICATIONS FOR JAPAN. AND, ALTHOUGH THE DISTINCTIVE JAPANESE CONTRIBUTION WHICH MIKI AND HIS ALLIES SOUGHT WAS FINALLY LACKING, THE GOJ HAS BLOCKED OUT A CONSTRUCTIVE RESPONSE TO THE PROPOSALS ADOPTED BY THE UNGA 7TH SPECIAL SESSION IN SEPTEMBER. IF THE USG IS CAREFUL TO CONSULT FULLY WITH THE GOJ ON NORTH-SOUTH ISSUES, SUBSTANTIAL SUPPORT FOR OUR INITIATIVES SEEMS ASSURED, BUT JAPAN WILL HAVE GREAT DIFFICULTY IN COMMITTING INCREASED FINANCIAL ASSETS.

END SUMMARY.

4. JAPAN'S DILEMMA

AT LEAST SINCE THE "OIL SHOCK" OF OCTOBER 1973, THE "THIRD WORLD CHALLENGE" HAS POSED FOR JAPANESE AN ACUTE DILEMMA. A VITAL ELEMENT IN THEIR RESOURCE-POOR NATION'S RISE TO PROSPERITY HAS BEEN ITS POST-WAR ACCESS TO ABUNDANT AND RELATIVELY CHEAP SUPPLIES OF RAW MATERIALS. NOW THE JAPANESE SEE THEIR HARD-WON PROSPERITY THREATENED BY LDC POLITICAL TESTS FOR TRADING PARTNERS, BY DEMANDS FOR INDEXATION AND "REPARATIONS," BY THE OPEC CARTEL AND THE POSSIBILITY OF ITS SUCCESSFUL EMULATION BY PRODUCERS OF OTHER PRIMARY PRODUCTS. PARTICULARLY ADEPT AT TRADING IN A FREE INTERNATIONAL COMMODITIES MARKET, THE JAPANESE ARE LITTLE DISPOSED TO HEED CALLS FOR RESTRUCTURING THE WORLD ECONOMY ALONG THE LINES OF A GLOBAL WELFARE STATE. EVEN SO, JAPANESE PERCEIVE BUT SLENDER MEANS TO RESIST INTERFERENCES WITH THEIR NATION'S SUPPLY OF PRIMARY PRO-

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PAGE 04 TOKYO 18064 01 OF 03 191056Z

DUCTS AND A JAPANESE VERSION OF "PROJECT INDEPENDENCE" IS IMPOSSIBLE.

5. JAPAN'S RELATIONSHIP TO THE UNITED STATES IS AS IMPORTANT TO IT AS ITS RELATIONSHIP TO THE ENTIRE THIRD WORLD. JAPAN DEPENDS ON THE US FOR ITS MILITARY SECURITY AND THE US IS JAPAN'S SINGLE MOST IMPORTANT TRADING PARTNER. IN 1974 WE SUPPLIED NEARLY A QUARTER OF JAPAN'S IMPORTS AND BOUGHT SLIGHTLY MORE THAN A QUARTER OF JAPAN'S EXPORTS. THE NON-COMMUNIST STATES OF THE THIRD WORLD, HOWEVER, SUPPLIED 54 PERCENT OF JAPAN'S IMPORTS AND TOOK 46 PERCENT OF JAPAN'S EXPORTS. LDC SUCCESS IN FORGING A MILITANT AND SURPRISINGLY SOLID FRONT HAS THEREFORE SQUEEZED THE JAPANESE INTO A TIGHT CORNER. DESPITE A BASIC DISPOSITION TO MAXIMIZE US-JAPANESE COOPERATION, THEY HAVE CONSIDERED IT ESSENTIAL TO TURN ASIDE ALL PROPOSALS SMACKING OF "CONFRONTATION" WITH RAW MATERIALS PRODUCERS.

THE ALACRITY WITH WHICH JAPAN REVISED IT POSITION ON THE ARAB-ISRAEL DISPUTE DURING THE OIL EMBARGO UNDERSCORES THIS POINT. BUT HOWEVER LOW A POSTURE JAPAN HAS TAKEN, THERE HAS BEEN NO ESCAPING BEING LUMPED TOGETHER WITH OTHER "WESTERN DEVELOPED COUNTRIES" BY THE LDC'S. THE TRUTH IS, WROTE THE HEAD OF MOFA'S NATURAL RESOURCES DIVISION RECENTLY, "THAT JAPAN TRIED TO WEAKEN THE COLORING OF CONFRONTATION WITH OIL-PRODUCING COUNTRIES AS MUCH AS POSSIBLE AND TO PUSH A DIALOGUE LINE TO THE FORE IN ALL PHASES OF ITS PARTICIPATION IN KISSINGER'S CONSUMER COOPERATION LINE IS NOT WELL KNOWN." HE LAMENTS THAT JAPAN "IS CRITICIZED AT HOME AND ABROAD AS WAVERING."

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PAGE 01 TOKYO 18064 02 OF 03 191127Z

14

ACTION EA-09

INFO OCT-01 ISO-00 IO-10 AF-06 ARA-06 EUR-12 NEA-10 OMB-01

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PAGE 02 TOKYO 18064 02 OF 03 191127Z

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C O N F I D E N T I A L SECTION 2 OF 3 TOKYO 18064

6. JAPANESE FEEL LITTLE SENSE OF CHARITABLE OBLIGATION TO POORER NATIONS -- THOUGH SOME WOULD EXCEPT SOUTHEAST ASIA TO A DEGREE. PRIME MINISTER MIKI'S IDEALISM IS UNUSUAL. BY AND LARGE THE JAPANESE ARE PURELY PRAGMATIC; "THE NORTH-SOUTH PROBLEM" IS QUITE SIMPLY HOW TO MANAGE A REGIME OF TRADE AND AID WHICH MAXIMISES JAPAN'S CHANCES OF SECURING ADEQUATE SUPPLIES OF RAW AND SEMI-PROCESSED MATERIALS AT TOLERABLE PRICES FOR THE FORESEEABLE FUTURE. "IMAGE" IS THOUGHT RATHER IMPORTANT IN THIS REGARD, BUT NOT FROM ANY AMBITION TO SPREAD JAPANESE CULTURE OR IDEOLOGY. RATHER, A BENIGN IMAGE IS EXPECTED TO RESULT IN A MORE FAVORABLE BUSINESS RELATIONSHIP.

7. PURSUIT OF "DIALOGUE"
WHAT SEEMS TO BE A JAPANESE PENCHANT FOR TREATING INTERNATIONAL DISCUSSION OF THORNY PROBLEMS AS A CEREMONIAL END RATHER THAN A MEANS HAS OFTEN BEEN EVIDENT IN THE GOJ'S APPROACH TO NORTH-SOUTH ISSUES. THE GOJ POSITION AT THE ABORTIVE APRIL 1975 PREPCON WAS VIRTUALLY DEVOID OF SUBSTANCE, BUT LIMITED TO ENCOURAGEMENT OF DIALOGUE -- ANY KIND -- AS AN ANODYNE TO CONFRONTATION. AGAIN AT THE 7TH SPECIAL SESSION, THE GOJ PROPOSED ONLY TO STUDY AND DISCUSS THE MANY DEMANDS OF THE LDC'S. THE US IS PARTLY THE CAUSE OF THIS BEHAVIOR; UNTIL THE 7TH SPECIAL SESSION THE GOJ PERCEIVED US AS BENT MAINLY ON A CONFRONTATIONAL COURSE, AND TRIED TO SOFTEN OUR APPROACH. NOW THAT THE US HAS ADOPTED A LESS CONFRONTATIONAL

STYLE, THE JAPANESE FIND THEMSELVES IN NEED OF A MORE SUBSTANTIVE POSITION. THE JAPANESE PERHAPS HOPED AS WELL THAT NEGOTIATIONS IN VARIOUS FORA MIGHT BE STRUNG OUT UNTIL THE TIDE OF LDC ECONOMIC NATIONALISM RECEDED. MOREOVER, THE JAPANESE ARE AFFLICTED BY A SENSE THAT THEY ARE RELATIVELY INEPT IN DEALING WITH THE LDC'S.

CONFIDENTIAL

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PAGE 03 TOKYO 18064 02 OF 03 191127Z

THEY ARE BAFFLED AND OFTEN IRRITATED BY THE MORES AND THOUGHT PROCESSES OF THIRD WORLD CULTURES, PARTICULARLY THE NON-ASIAN ONES. THIS HAS LED THE JAPANESE TO : 1) HOPE THAT OTHERS WILL TAKE THE INITIATIVE IN THINKING UP SOLUTIONS TO "THE NORTH-SOUTH PROBLEM;" 2) STRONGLY PREFER TO DEAL WITH STRUCTURAL PROBLEMS ON A MULTILATERAL BASIS, EMPLOYING INTERNATIONAL INSTITUTIONS AS A BUFFER.

8. SECRETARY KISSINGER'S PROPOSALS AT THE 7TH SPECIAL SESSION SURPRISED THE JAPANESE. THEY WERE DISMAYED BY THE LACK OF PRIOR CONSULTATION. YET THE SUCCESS OF THE 7TH SPECIAL SESSION IN WORKING OUT TERMS OF REFERENCE FOR CONTINUATION OF THE NORTH-SOUTH DEBATE GOT THE JAPANESE OFF A CONCEPTUAL HOOK. JAPAN'S FOREMOST ALLY AND TRADING PARTNER SEEMED TO BE ACCEPTING THEIR ADVICE BY SHIFTING THE STYLE OF DEBATE FROM CONFRONTATION TO DIALOGUE, AND KEY LDC'S APPEARED TO BE WILLING TO SHIFT THE SUBSTANCE OF THE DEBATE FROM REVOLUTION IN NORTH-SOUTH ECONOMIC RELATIONSHIPS TO REFORM.

9. THE MIKI PLAN: CONSENSUS WASN'T THERE.

THE VERY SUCCESS OF THE 7TH SPECIAL SESSION CREATED A NEW PROBLEM; MANY JAPANESE LEADERS CONSIDER THAT IT PUT THEM ON THE SPOT. JAPAN'S CHIEF DELEGATE TO THE 7TH SPECIAL, FORMER FOREIGN MINISTER TOSHIO KIMURA, WAS QUICK TO DECLARE THAT FAILURE TO RESPOND ARTICULATEDLY AND "PROGRESSIVELY" TO THE LDC CHALLENGE RISKS JAPAN'S IDENTIFICATION AS "THE MOST REACTIONARY DEVELOPED COUNTRY." HIS FEAR IS WIDELY SHARED, NOT LEAST OF ALL BY MIKI. WITH THE PRIME MINISTER'S BLESSING, THE FOREIGN TRADE AND AID-ORIENTED SECTORS OF THE BUREAUCRACY, SECONDED BY INFLUENTIAL BUSINESS CIRCLES AND CHEERED ON BY THE PRESS, SOON PUSHED UPWARD PROPOSALS FOR A "MORE POSITIVE" JAPANESE AID POLICY. BY MID-OCTOBER, MIKI APPARENTLY DECIDED RAMBOUILLET WAS THE PROPER PLACE TO REVEAL JAPAN'S ACCOMMODATION TO THE "NEW INTERNATIONAL ECONOMIC ORDER." LATE IN THE MONTH THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) AND THE FOREIGN OFFICE BEGAN LEAKING VERSIONS OF THE "MIKI CONCEPT." THE FOREIGN OFFICE PLUMPED FOR A PLEDGE TO INCREASE ODA FROM THE PRESENT 0.24 PERCENT BY STAGES TO 0.35 PERCENT OF GNP BY 1980. MITI DWELT ON A "TWO-PRONGED" APPROACH TO EXPORT EARNINGS STABILIZATION; ONE PRONG WAS TO BE GOJ ENDORSEMENT OF SOMETHING LIKE THE US-PROPOSED IMF-CENTERED SCHEME, THE OTHER PRONG AS ASIAN DEVELOPMENT BANK-CENTERED ASIAN ANALOG TO THE EC'S LOME PLAN. THIS LAST NOTION WAS KNOWN TO BE A FAVORITE OF MIKI'S; HE HAD FLOATED

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PAGE 04 TOKYO 18064 02 OF 03 191127Z

IT RATHER VAGUELY IN HIS AUGUST 6 SPEECH TO THE NATIONAL PRESS CLUB IN WASHINGTON. MITI PROPOSED THAT THE ADB STABILIZE THE PRICES OF TEN PRODUCTS ESPECIALLY IMPORTANT TO SOUTH AND SOUTHEAST ASIAN STATES AND THAT JAPAN ANTE UP \$500 MILLION OVER FIVE YEARS TO FINANCE THE SCHEME. ROUNDING OUT THE PROPOSED NEW NORTH-SOUTH PACKAGE, IT WAS REPORTED, WERE DOLS 50 MILLION FOR THE PROPOSED INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT(IFAD), "SEVERAL HUNDREDS OF MILLIONS OF DOLLARS" FOR AN "ASIAN PRICE PRODUCTION EXPANSION FUND" ALSO UNDER THE ADB, AND EFFORTS TO PROMOTE MARRIAGES OF OPEC MONEY AND JAPANESE TECHNOLOGY IN THE LDC'S.

10. MIKI LOBBIED HARD. HE BRIEFED BUREAUCRATS AND BUSINESSMEN, POLITICIANS AND THE PRESS. BIG BUSINESS AND THE MEDIA, IN PARTICULAR, WERE SYMPATHETIC, BUT ENTHUSIASM FOR THESE AMBITIOUS SCHEMES WAS BY NO MEANS UNIVERSAL, EVEN WITHIN MITI AND THE FOREIGN OFFICE. THE FINANCE MINISTRY WAS FIRMLY OPPOSED AND ON NOVEMBER 6 COUNTER-ATTACKED WITH ITS OWN PRESS BACKGROUNDEERS. AT LEAST AS LONG AS THE RECESSION HAS BROUGHT JAPAN'S GROWTH TO A STANDSTILL AND SADDLED IT WITH THE LARGEST BUDGET DEFICIT SINCE THE POST-WAR RECONSTRUCTION, WITH A LARGER ONE IN PROSPECT NEXT YEAR, MOF CONSIDERS ANY COMMITMENT TO INCREASE JAPAN'S AID BILL OUT OF THE QUESTION. MOF DECLARED THE ASIAN TILT IN MITI/FONOFF THINKING A PATENT NON-STARTER; IT WOULD, FEARED THE MOF (AND EVIDENTLY SOME SECTORS OF THE FONOFF AS WELL), INVITE CHARGES OF REGIONALISM AND POSSIBLY BE REDUNDANT, AS WELL AS EXPENSIVE. ASIA COULD BE HELPED, HOWEVER, BY JAPAN'S SEEKING GENERAL AGREEMENT THAT 80 PERCENT OF ODA GO TO STATES WITH LESS THAN DOLS 375 PER CAPITA INCOME. (MOF REPORTEDLY NOTED THAT FIFTEEN OF NINETEEN SOUTH AND SOUTHEAST ASIAN STATES WERE IN THAT CATEGORY, AND JAPANESE AID ALREADY MET THAT CRITERION.) MOF ALSO RESTATED ITS AVERSION TO CREATION OF NEW INTERNATIONAL INSTITUTIONS WHICH MIGHT BE CONTROLLED BY LDC'S, I.E., IFAD. MOF AGREED TO THE NOTION OF AN EXPORT EARNINGS STABILIZATION SCHEME FINANCED BY SALE OF IMF GOLD, BUT THOUGHT IT SHOULD FOCUS ON PRIMARY PRODUCTS, NOT BALANCE OF PAYMENTS.

11. NOT ONLY POLICY ORIENTATION BUT ALSO FACTIONAL POLITICAL CONSIDERATIONS WERE AT WORK. ITI MINISTER KOMOTO IS A STALWART OF MIKI'S LDP FACTION, AND FONMIN MIYAZAWA WAS NOT UNSYMPATHETIC IN THIS INSTANCE. CONVERSELY, FINMIN OHIRA AND DEPUTY PREMIER/ECONOMIC PLANNING AGENCY (EPA) DIRECTOR FUKUDA, RIVALS AS MIKI'S MOST LIKELY

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PAGE 05 TOKYO 18064 02 OF 03 191127Z

SUCCESSORS, FEARED THAT A STARRING ROLE FOR MIKI AT RAMBOUILLET WOULD COMPLICATE ATTEMPTS TO EASE HIM OUT OF THE PRIME MINISTERSHIP.

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PAGE 01 TOKYO 18064 03 OF 03 191232Z

12

ACTION EA-09

INFO OCT-01 ISO-00 AF-06 ARA-06 EUR-12 NEA-10 IO-10

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PAGE 02 TOKYO 18064 03 OF 03 191232Z

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C O N F I D E N T I A L SECTION 3 OF 3 TOKYO 18064

12. THE RESULT, AS THE NOVEMBER 10 DEADLINE FOR CABINET APPROVAL NEARED, WAS A BUREAUCRATIC IMPASSE THAT PLAYED OUT LARGELY IN MOF'S FAVOR. OHIRA AND FUKUDA APPARENTLY WERE ABLE TO EXACT A PROMISE THAT MIKI WOULD NOT ATTEMPT ANY "GRANDSTAND PLAY" AT THE ECONOMIC SUMMIT. MIKI'S NOTION OF A SPECIAL RELATIONSHIP WITH JAPAN'S ASIAN TRADING PARTNERS WAS OVERRULED: THE CABINET AUTHORIZED MIKI ONLY (1) TO ENDORSE AN EXPANDED COMPENSATORY FINANCING FACILITY WITHIN THE QIMF, BIASED TOWARD THE POOREST NATIONS AND KEYED TO FLUCTUATIONS IN PRIMARY PRODUCT PRICES, AND (2) TO FLOAT THE NTION OF AUTOMATIC EXTENSION OF COMMERCIAL CREDITS BY DC'S TO ALLEVIATE TEMPORARY FOREIGN EXCHANGE SHORTAGES OF THE POOERER LDC'S. (THIS LAST IDEA, WE UNDERSTAND, MIKI RAISED ONLY WITH GISCARD AND UNDER SECRETARY ROBINSON.) EPA AND MOF KILLED THE FONOFF'S PROPOSAL TO PLEDGE ODA OF .35 PERCENT OF GNP BY 1880: PENDING ISSUANCE OF EPA'S NEW MEDIUM-TERM PLAN IN MARCH 1976, MIKE WAS AUTHORIZED TO PLEDGE ONLY THAT ODA "WILL BE INCREASED AS MUCH AS POSSIBLE." HOWEVER, AS JAPAN'S "DUE COOPERATION" IN THE IFAD, A DOLS 60 MILLION CONTRIBUTION WAS AGREED.

13. WHETHER THE "MIKI PLAN" IS DEAD OR ONLY DORMANT, THE RECENT DEBATE IS MOST SIGNIFICANT. MUCH OF WHAT WAS PROPOSED WAS, ASSUREDLY, BUT A REHASH OF AMERICAN OR EUROPEAN IDEAS. IN AT LEAST TWO RESPECTS, HOWEVER, A SUBSTANTIAL BODY OF ELITE OPINION ADVOCATED AN UNCHARACTERISTICALLY ASSERTIVE ROLE FOR JAPAN. FIRST, HAD THE MIKTI/FONOFF PROPOSALS BEEN ADOPTED, JAPAN WOULD BID TO

CONFIDENTIAL

PAGE 03 TOKYO 18064 03 OF 03 191232Z

BECOME THE MOST GENEROUS DONOR OF ECONOMIC AID. SECOND, HAD THE ASIAN TILT BEEN CONFIRMED, JAPAN'S PROMINENCE IN THE AFFAIRS OF NON-COMMUNIST ASIA WOULD SUBSTANTIALLY INCREASE. APPREHENSIVE LEST IT SUMMON UP THE GHOST OF THE GREATER EAST ASIA CO-PROSPERITY SPHERE, JAPAN HAS HITHERTO ESCHEWED ANYTHING RESEMBLING "ECONOMIC HEGEMONISM." THAT BOTH OF THESE NATIONS RECEIVED A SERIOUS HEARING THIS AUTUMN BESPEAKS THE IMPORTANCE THAT JAPANESE ELITES ATTACH TO SAFEGUARDING THE SUPPLY OF RAW MATERIALS AND THE EVOLUTION OF A "SPECIAL RELATIONSHIP" WITH ITS LDC NEIGHBORS.

14. IN THE IMMEDIATE FUTURE, "DUE COOPERATION." A HIGHER JAPANESE PROFILE ON NORTH-SOUTH ISSUES COULD YET EMERGE, IF THE JAPANESE ECONOMY REBOUNDS FROM RECESSION AND IF MIKI CAN LEAD HIS PARTY TRIUMPHANTLY THROUGH A GENERAL ELECTION AND THEN CHOOSES TO PRESS THE ISSUE AGAIN. AT LEAST FOR THE MONTHS IMMEDIATELY AHEAD, HOWEVER, IT SEEMS DECIDED THAT JAPAN WILL FOLLOW A COURSE SUPPORTIVE OF OUR MAJOR INITIATIVES BUT CHARACTERISTICALLY UNOBTRUSIVE. THE WATCHWORD WILL BE "DUE COOPERATION." THE JAPANESE REMAIN SKEPTICAL THAT THE LDC'S IN GENERAL CAN PUT LARGE TRANSFERS OF RESOURCES TO PRODUCTIVE USE. MOREOVER, MOST REGARD ANY SCHEME (CARTELS, INDEXATION, ETC) WHICH WOULD RAISE PRIMARY GOODS PRICES ABOVE WHERE MARKET FORCES WOULD SET THEM AS BAD ECONOMICS AND AN EGREGIOUS POLITICAL TAX FALLING MOST HEAVILY ON JAPAN. BUT THEY TOO HAVE CONCLUDED THAT REFORM OF THE NORTH-SOUTH STRUCTURE OF TRADE AND AID IS EXPEDIENT, AS THE PRAGMATIC ALTERNATIVE TO MARKET CHAOS AND "BEGGAR-THY-NEIGHBOR."

15. WE AND THE JAPANESE MAY CONTINUE TO DISAGREE IN SOME AREAS. THEY ARE QUITE AWARE THAT WE ARE NOT ONLY THE BIGGEST CONSUMER OF PRIMARY PRODUCTS BUT ALSO THE BIGGEST PRODUCER, AND THAT WHAT THE US WANTS IS NOT NECESSARILY BEST FOR JAPAN, PURELY A CONSUMER. IN PARTICULAR, THEY WILL RESIST PRESSURES TO HELP FINANCE STOCKPILES OF GRAIN AND MINERALS, AND THEY WILL GO ALONG ONLY RELUCTANTLY WITH THE NOTION OF A FLOOR PRICE FOR PETROLEUM.

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PAGE 04 TOKYO 18064 03 OF 03 191232Z

16. AT ALL TIMES THE JAPANESE WILL PROCEED FROM A MUCH GREATER APPREHENSION OF THEIR OWN WEAKNESS. IF THE COST IS LOW THEY WILL BE FAITHFUL AND PERCEPTIVE, BUT IRRITATINGLY TIMID ALLIES. THE FORCES WHICH STIMULATED THE "MIKI PLAN" NOTWITHSTANDING, THE JAPANESE APPROACH MOST LIKELY WILL REMAIN ESSENTIALLY DEFENSIVE, TACTICAL RATHER THAN CONCEPTUAL, RESPONSIVE RATHER THAN CREATIVE.

BECAUSE OF THE RECESSION AND THE ATTENDANT ADJUSTMENT
TO LOWER GROWTH, THE JAPANESE WILL BE EVEN MORE
RESISTANT THAN USUAL TO ANY PLAN WHICH WILL COST THEM
MONEY. OTHERWISE IF THE USG IS CAREFUL TO KEEP THE GOJ
FULLY BRIEFED, AND TO LISTEN ATTENTIVELY TO JAPANESE
TACTICAL ADVICE, WE MAY EXPECT TO FIND THEM WITH US,
A STEP OR SO TO THE REAR.
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Copy: SINGLE
Draft Date: 19 DEC 1975
Decaption Date: 01 JAN 1960
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TOKYO18064
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750441-0936
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751226/aaaaawow.tel
Line Count: 555
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2003 by BoyleJA>; APPROVED <06 OCT 2003 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JAPAN AND THE "NORTH-SOUTH PROBLEM"
TAGS: PFOR, EGEN, JA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006